

# M e m o r a n d u m

To: Panel Members Date: January 26, 2007

From: Diana Torres, Manager Analyst: C. Robinson

Subject: One-Step Agreement for **PAN-PACIFIC PLUMBING CO., INC.**

## **CONTRACTOR:**

- Training Project Profile: SET-Workers Earning At Least State Avg Hrly Wage Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Moving To A High Performance Workplace  
Developed Jointly By Management And Workers
- Type of Industry: Construction
- Repeat Contractor: No
- Contractor's Full-Time Employees
  - *Worldwide:* 250
  - *In California:* 250
- ETP Trainees Represented by Union: Yes
- Name and Local Number of Union Representing ETP Trainees: United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada - Local 582

## **CONTRACT:**

- Program Costs: \$145,152
- Substantial Contribution: \$0
- Total ETP Funding: \$145,152
- Total In-kind Contribution: \$166,650
  - *Trainee Wages Paid During Training:* \$166,650
  - *Other Contributions:* \$0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Orange

## **INTRODUCTION:**

Founded in 1947, Pan-Pacific Plumbing Co., Inc. (Pan-Pacific) remains a family-owned plumbing contractor based in Irvine, California. Pan-Pacific specializes in new construction projects including hospitals, schools/universities, entertainment complexes, and other types of commercial industries.

Pan-Pacific's Orange County facility, the site of the proposed training, currently employs 250 fulltime workers. The proposed training plan includes 72 of which 36 are represented by the United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada - Local 582.

Pan-Pacific meets the Panel's out-of-state competition requirements because it offers services to customers located both inside and outside of California in accordance with Title 22 California Code of Regulations (CCR), Section 4416(d)(4).

The company also qualifies for funding under Title 22 CCR, Section 4409(a), Special Employment Training Project (SET) for frontline workers, as defined under Title 22 CCR, Section 4400(ee), who earn at least the state average hourly wage. These frontline workers include all journey-level plumbers in the occupations of superintendents, project managers, and journey level foremen. The two superintendents included in Job 2 perform frontline worker activities that include; interfacing directly with customers, determining that safety requirements are followed in the field, reviewing payroll records weekly for accuracy, scheduling project labor needs, and maintaining project efficiency.

## **MEETING ETP GOALS AND OBJECTIVES:**

Pan-Pacific proposes training that will further the following ETP goals and objectives:

- 1) Ensure that ETP funds are invested in projects that target high-wage jobs with above average salary increases and above average retention.
- 2) Enhance the skills of its frontline workers to prepare them for employment in a high performance workplace.
- 3) Fund training developed by management and workers in California.

**TRAINING PLAN TABLE:**

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Retrainee	MENU: Business Skills Computer Skills	38	24 – 200	-0-	\$2,016	\$19.00 - \$120.00
Job Number 2 SET Retrainee	Continuous Improvement Skills Commercial Skills	34	24 - 200	-0-	\$2,016	\$31.00 - \$50.00
Wages After 90-Day Retention						
<u>Occupation</u>						
<u>Job 1 Retrainees</u>  Managers/Supervisors Estimators Detailers Administrative Staff						
<u>Job 2 SET Retrainees</u>  Superintendents Journey Level Foreman Project Managers						
<b>* <u>Health Benefits Used To Meet ETP Minimum Wage:</u></b>  Job 1: Although the employer pays health benefits for employees, health benefits are not being used to meet the ETP minimum wage requirement for Orange County of \$13.51 per hour.  Job 2: Health benefits are covered through the Union and are not being used to meet the ETP minimum SET Frontline Worker wage requirement of \$22.51 per hour.					<b><u>Turnover Rate</u></b>  33%	<b><u>% Of Mgrs &amp; Supervisors To Be Trained:</u></b>  Job 1: 3% Job 2: N/A
<b><u>Other Employee Benefits:</u></b>  For Union represented employees, Pan-Pacific offers holiday wage stipend, overtime, and retirement in addition to other Union paid benefits. For non-represented employees, in addition to medical, dental, and vision Pan-Pacific offers paid vacation and 401K.						

## **COMMENTS / ISSUES:**

### **➤ *Union Support***

United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada - Local 582 represents 36 of the 72 employees included in the Training Plan and has submitted a letter of support for the proposed Agreement.

### **➤ *Turnover Rate***

Title 22, California Code of Regulations, Section 4417, Secure Job, provides that the Panel shall fund training for employment that is stable and that an employer's turnover rate shall not exceed 20 percent annually. The Panel may waive or modify this standard if industry data supports a higher turnover rate.

Pan-Pacific requests a waiver, given that its turnover rate of 33 percent for 2006 has not varied more than 2 percent for the past several years. Pan-Pacific contends that it experiences an average turnover consistent with industry standards for similar companies doing business in Southern California.

Company representatives recently contacted two major competitors located in Southern California that employ plumbers represented by the same Union. Both of these companies confirmed similar turnover rates for 2006 (33 to 35 percent) and indicated that past year's turnover rates were similar.

According to US Department of Labor information, turnover in the construction industry for calendar year 2005 and the first three quarters of 2006 was over 61 percent. This information reflects voluntary quits, seasonal employment, and layoffs exceeding 30 days. Although this information includes all related construction occupations such as plumbers, electricians, and carpenters, it confirms the Pan-Pacific's claim that annual turnover is high for occupations, including plumbers, in the construction industry. Since Pan-Pacific's work focuses only on major construction projects rather than the small plumbing repair business, this data, in addition to the previously stated information supports the company's request for the Panel's consideration of a waiver of ETP regulations governing turnover.

### **➤ *Frontline Workers***

Of the 60 retrainees in the Training Plan, 58 (97 percent) meet the Panel definition of frontline workers under Title 22 CCR, Section 4400(ee). The remaining two Job 1 retrainees are managers or supervisors who constitute 3 percent of the total training population. Company representatives confirm that only Pan-Pacific owners, who are not included in the proposed Training Plan set company policy. There are no managers/supervisors included in the Job 2 SET group.

**COMMENTS / ISSUES:** (continued)

➤ ***Production During Training***

Pan-Pacific agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

**RECOMMENDATION:**

Staff recommends that the Panel approve the Agreement based on Pan-Pacific's need to implement training efforts to remain competitive, increase business, and establish a high performance workplace with improved company operating procedures. Additionally, staff recommends that Panel approve Pan-Pacific's turnover rate of 33 percent for the reasons above.

**NARRATIVE:**

In 2006, Pan-Pacific established plans to become more competitive against other plumbing companies doing business in southern California. Some of these companies consistently underbid projects because they utilize cheaper, non-represented labor. Pan-Pacific's plans include earning more business opportunities through delivery of superior service, implementing streamlined internal processes, and the use of cutting edge products in construction projects.

In order to perform superior service, new CAD Mechanical Solids and Estimating Mechanical Solids software will be purchased at a cost of \$50,000. This software will expand Pan-Pacific's ability to estimate costs, design projects more efficiently, and make more professional presentations to prospective clients. Once the software is in operation, it will help employees complete a smooth transition from pre-bid to pre-construction. The company will purchase training from the software manufacturer on its use for an additional cost. Pan-Pacific's new internal processes include a Quality Assurance (QA) program that will be presented company-wide through formal training sessions in spring, 2007. Implementation of QA tools throughout the company will enable Pan-Pacific to provide its customers with customized plumbing services that will need less clean-up and/or repair work in the future. Additionally, the majority of company employees included in the proposed training plan came to headquarters as field plumbers with little project management history. As a result, employees need training on how to lead/work in a team environment, communicate more effectively, and manage multiple projects more efficiently.

Pan-Pacific reports that it will be the first company in California to use an innovative new flexible piping material called Pex in the spring of 2007. Pex, will allow plumbers to fix leaks by inserting it into existing piping structures resulting in less costly repair work for Pan-Pacific customers. Although the manufacturer of this product will provide training at no cost for a

**NARRATIVE:** (continued)

limited number of company employees, Pan-Pacific will use the trained employees to train the remaining workers how to use Pex in construction applications over several months. By training its employees in more efficient work processes and the use of new products, Pan-Pacific anticipates dramatic improvements in its ability to compete with lower cost construction bidders. The proposed training plan permits Pan-Pacific to more effectively compete with its competitors by building a reputation of superior service and quality performance. Therefore, the company is requesting the Employment Training Panel's assistance to train 72 employees in the following types of Class/lab training:

**Business Skills**

All retrainees included in the proposed training plan will attend Class/lab sessions in Communication, Advanced Customer Service, Leadership, and Conflict Resolution (non Union related activities) Skills. Upon completion of these courses, Pan-Pacific's employees will work toward increasing customer satisfaction through improved communication and ability to negotiate issues satisfactorily. Project managers and some administrative staff will receive training in Project Management to help them to manage all aspects of a job smoothly from start to finish. Business Skills training will increase Pan-Pacific's ability to compete more professionally, manage work processes efficiently, and reach its goal of becoming a high performance workplace.

**Commercial Skills**

Selected journey level foremen, who did not attend initial training provided at no cost by the manufacturer of Pex, will receive Class/lab training on its use in various plumbing applications. Upon completion of this training, they will then be able to provide guidance and oversee its use by field plumbers and others not included in the proposed training plan.

**Computer Skills**

Estimators, detailers, and some journey level foremen will receive Computer Skills software training in both CAD and Estimating Mechanical Solids. Detailers and foremen who design plumbing layouts for both large and smaller jobs need training in the newly purchased CAD Mechanical Solids software to become 3-D capable. Using 3-D to design a dimensional sample represents the latest trend in the construction industry and will allow Pan-Pacific to improve its ability to pitch design plans to potential customers. Training in Estimating Mechanical Solids software will enable estimators to more accurately compute anticipated construction costs leading to more competitive bids with fewer underestimates and cost overruns. Additionally, once estimators enter information into the estimating software, detailers can retrieve the information for use in their CAD designs thus streamlining the bidding process and reducing errors by eliminating duplicative work.

**Continuous Improvement**

All retrainees will participate in QA, Teamwork, and Problem Solving Skills training to foster development of high performance workplace. QA Skills will allow employees to participate in Pan-Pacific's new QA program designed to improve all of the company's construction processes from bidding to project close-out. Outstanding issues will be identified and addressed using

**NARRATIVE:** (continued)

newly developed forms and processes before they become a problem in the future. Teamwork and Problem Solving Skills will allow all retrainees included in the proposed training plan to make key decisions at all levels of the organization, acquire skills to influence team members, and encourage creative thinking for improved decisions/actions.

***Commitment to Training***

Although Pan-Pacific does not have a formal training budget, the company expended approximately \$10,000 in 2006 on government mandated training, new employee orientation, general safety training, human resource/finance department workshops, negotiation, and basic leadership classes. This training was conducted on an as needed basis and Pan-Pacific will continue to deliver it at the company's expense.

With the exception of leadership training, the proposed Curriculum topics have never been delivered in the past. The proposed Advanced Leadership Skills training builds upon classes conducted in 2006 that identified "Qualities of a Leader" and will focus more on the leadership skills needed when working with others in a high performance teamwork environment. ETP funding will allow the company to offer a formal training program for the first time and will not displace its current informally delivered training. Without ETP funding, the company does not have the necessary resources to deliver the proposed training to its employees. The company representative states that upon completion of ETP funded training, Pan-Pacific plans to continue training in many of these areas its own expense.

**SUBCONTRACTORS:**

To Be Determined

**THIRD PARTY SERVICES:**

N/A

**PAN-PACIFIC PLUMBING CO., INC.**

**MENU CURRICULUM**

Hours Class/Lab  
24 - 200

Trainees will be provided any of the following:

**COMPUTER SKILLS**

- Estimating Mechanical Solids
- CAD Mechanical Solids

**BUSINESS SKILLS**

- Communication Skills
- Advanced Leadership Skills
- Project Management
- Conflict Resolution (non Union related)
- Advanced Customer Service

**CONTINUOUS IMPROVEMENT**

- Quality Assurance Skills
- Teamwork Skills
- Problem Solving

**COMMERCIAL SKILLS**

- Pex Piping Techniques

Comment: The parties agree that the training identified in this Curriculum may be revised from time-to-time during the term of this Agreement at the request of Contractor and with the prior written approval of ETP. (See also Section 12 in this Agreement.)





**Local 582** Santa Ana, California  
United Association of Journeymen and  
Apprentices of the Plumbing and Pipe  
Fitting Industry of the United States and Canada

Robert J. Lamb II  
*Business Manager,  
Financial Secretary, Treasurer*

Employment Training Panel  
1100 J Street, Fourth Floor  
Sacramento, CA 95814

December 1, 2006

Distinguished Panel Members:

I am writing to show support for the proposed ETP training project for my members working at Pan-Pacific Plumbing Co., Inc.

Our union supports all types of training and we are happy to see Pan-Pacific taking an active role in the training of our members.

According to the training plan put forth by Pan-Pacific they will be training Foremen and General Foremen, Superintendents and Site Superintendents.

Should you need any other information, please do not hesitate to call me at the number listed above.

Sincerely,

Robert J. Lamb II  
Business Manager / Fin. Sec, Treasurer  
U.A. Local 582  
office: (714) 775-5563